

EBD #13.1.1
ET #6.3
2016-2017
(2016 Fall Meeting)

Endowment Trustees Report

(Long-Term Investment / Endowment Fund)

Rod Hersberger – Senior Trustee
Saturday – October 22, 2016



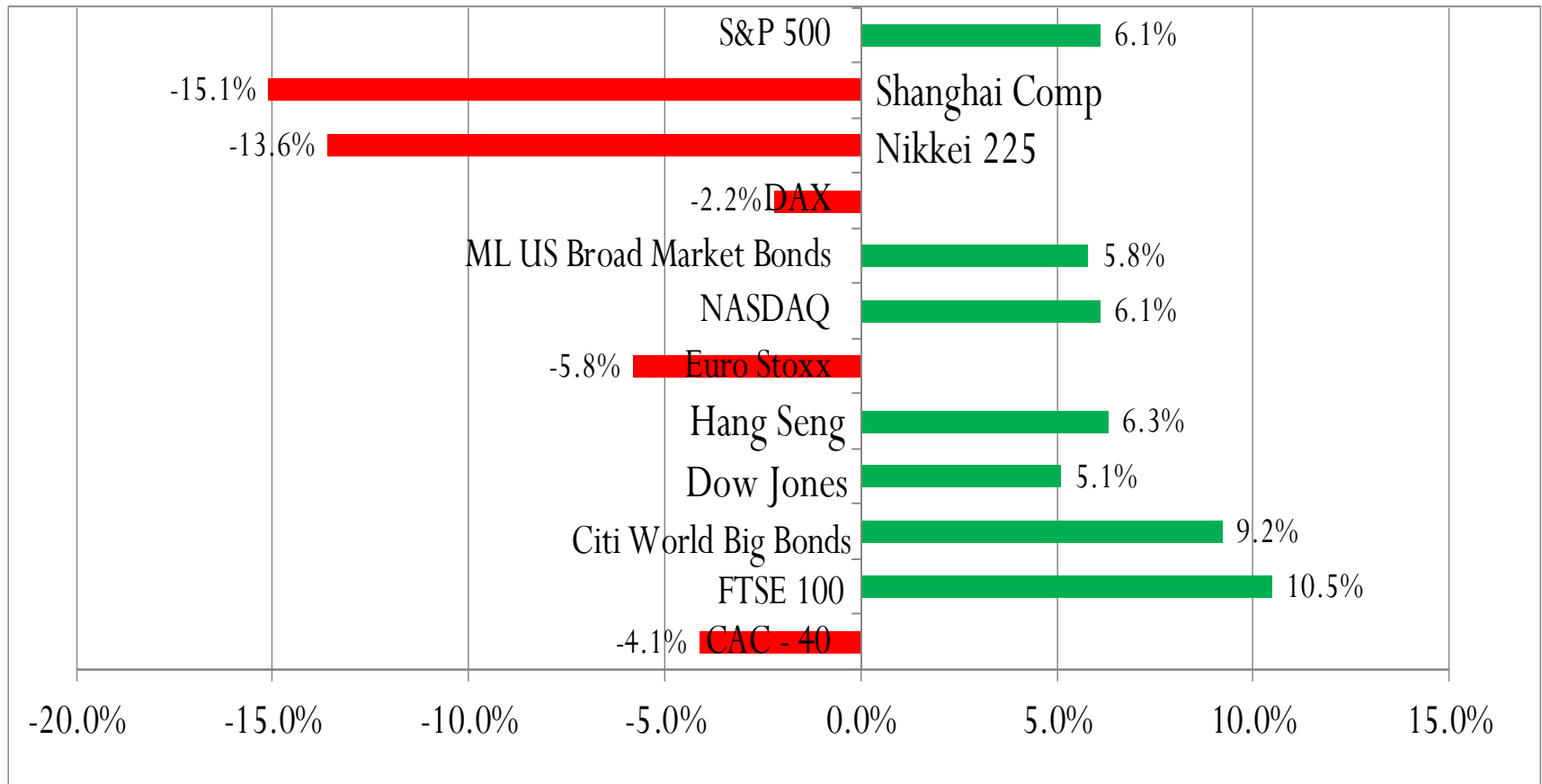
Issues Impacting the Market

- Global economy recovered from the initial shock the late-June U.K. referendum (Brexit) vote to leave the European Union
 - U.K. and Europe activity still expansionary
 - Pickup in China's growth boosting emerging markets
 - Ample global liquidity: Fed, ECB, and BOJ kept policy rates unchanged
- Assets most sensitive to the global economic and liquidity environment spearheaded the rally during Q3 – emerging markets, small cap stocks and high yield bonds
- Negative Rates by central banks begin to show limits of monetary policy as zero or negative interest rates in Japan and Europe are having mixed results
- Secular anti-globalization political risks on the rise
- Uncertainty on the timing of an interest rate increase by Federal Reserve increasing volatility in market

World Market Performance

Exhibit #2

- Calendar Year Market Returns @ 9-30-16



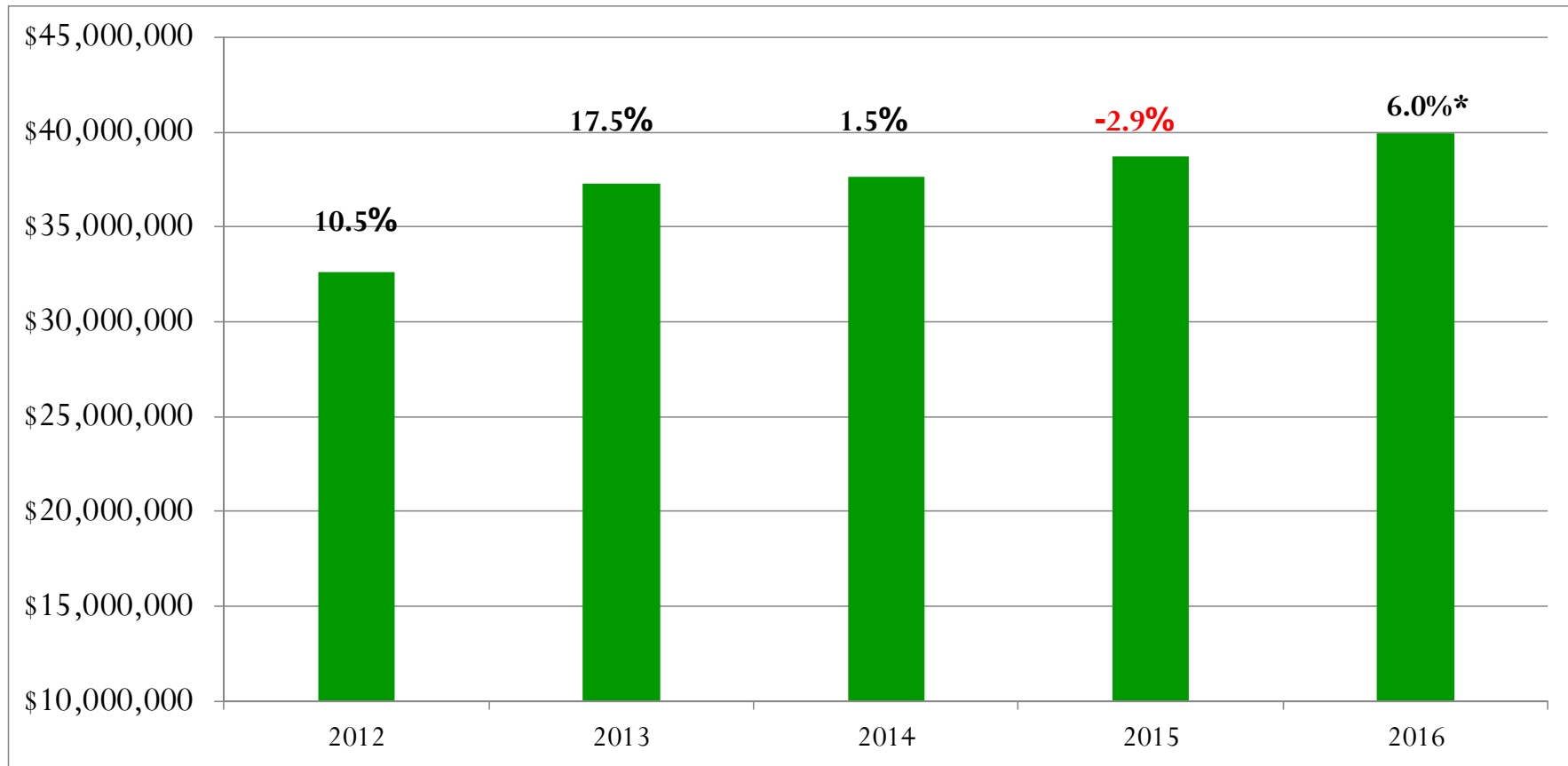
Global Equities Led Broad-Based Market Gains

	<u>3rd Qtr</u>	<u>YTD</u>		<u>3rd Qtr</u>	<u>YTD</u>
Emerging Markets	9.2%	16.4%	Emerging Market Bonds	3.7%	15.0%
US Small Caps	9.0%	11.5%	Long Gov't/Cred Bonds	1.2%	15.7%
Non-US Small Caps	8.7%	5.5%	US Corporate Bonds	1.2%	8.9%
Non-US Developed Cty	6.5%	2.2%	Investment Grade Bonds	0.5%	5.8%
High Yield Bonds	5.5%	15.3%	Gold	0.1%	24.8%
US Mid Cap Stocks	4.5%	10.3%	Real Estate Stocks	-1.2%	12.3%
US Large Cap Stocks	3.9%	7.8%	Commodities	-3.9%	8.6%

Market Value and Return @ 9-30-16

Exhibit #4

\$39,975,839*



*Calendar YTD 9-30-16

Time Weighted Rate of Return

	<u>Opening Balance</u>	<u>Contributions (Withdrawals)</u>	<u>Interest Dividends</u>	<u>Appreciation (Depreciation)</u>	<u>Closing Balance</u>	<u>ROR* Period</u>	<u>ROR* Cumulative</u>
September– 2016	\$ 40,016,169	\$ (136,760)	\$ 102,527	\$ (6,097)	\$ 39,975,839	0.24%	6.04%
August - 2016	\$ 40,071,641	\$ 0	\$ 53,518	\$ (108,989)	\$ 40,016,169	(0.14%)	5.79%
July – 2016	\$ 38,856,503	\$ 0	\$ 57,882	\$ 1,157,255	\$ 40,071,641	3.13%	5.93%
June – 2016	\$ 39,036,116	\$ (245,500)	\$ 96,284	\$ (30,396)	\$ 38,856,503	0.17%	2.72%
May - 2016	\$ 38,777,713	\$ 0	\$ 52,029	\$ 206,374	\$ 39,036,116	0.67%	2.54%
April – 2016	\$ 38,445,594	\$ 0	\$ 56,864	\$ 275,254	\$ 38,777,713	0.86%	1.86%
March - 2016	\$ 36,454,834	\$ 18,825	\$ 108,752	\$ 1,900,883	\$ 38,445,938	5.46%	0.98%
February - 2016	\$ 37,233,216	\$ (627,004)	\$ 41,405	\$ (192,783)	\$ 36,454,834	(0.39%)	(4.25%)
January – 2016	\$ 38,724,962	\$ 9,342	\$ 30,994	\$ (1,532,082)	\$ 37,233,216	(3.87%)	(3.87%)
Total	\$ 38,723,216	\$ (999,922)	\$ 599,302	\$ 1,651,497	\$ 39,975,839	NA	6.04%

*Rate of Return

Manager Allocation and Style

<u>Manager</u>	<u>Value</u>	<u>%</u>
Clearbridge ESG - <i>Large Cap Core</i>	\$ 7,961,038	19.9%
Merrill Lynch Personal Advisor* - <i>(MLPA)</i>	\$ 15,852,253	39.7%
The Endowment Fund - <i>Alternatives</i>	\$ 2,419,740	6.1%
Capital Group - <i>International</i>	\$ 1,707,764	4.3%
Equity Income & Growth - <i>ETF</i>	\$ 7,877,233	19.7%
Loomis Sayles - <i>Fixed Income</i>	<u>\$ 4,157,812</u>	<u>10.4%</u>
Total	\$ 39,975,839	100.0%

*MLPA is a platform under which ALA can access different managers in the form of mutual funds and ETF's. There are 10 different managers.

Merrill Lynch Personal Accounts

<u>Manager</u>	<u>Value</u>	<u>%</u>
Nuveen Real Asset Income	\$ 1,174,161	7.5%
Principal Midcap Fund	\$ 2,091,493	13.3%
Oakmark International Fund	\$ 1,390,009	8.8%
Vanguard REIT ETF	\$ 1,164,051	7.4%
Western Asset Core Plus	\$ 1,668,229	10.6%
Doubleline Total Return	\$ 1,807,795	11.5%
Guggenheim Total Return	\$ 1,792,127	11.4%
Invesco Real Estate Fund	\$ 1,541,381	9.8%
Lazard International Strategic	\$ 1,555,064	9.9%
Lord Abbett Floating	\$ 1,563,689	9.9%
Total	\$ 15,747,998*	100.0%

*Does not include \$104,255 in cash deposited in the Merrill Lynch Deposit program.

The Work of the Endowment Trustees

Exhibit #8

Recent Trustee Actions

- Conducted the Trustees fall meeting in the ALA Washington Office
 - Met with Emily Sheketoff and staff
 - Toured the facility
 - Discussed the importance of the work of the office
 - Highlighted the importance of endowment performance and funding to their work
- Approved a spending/payout rate from the endowment for the FY18 budget of 5% or \$1.81* million. This compares to a planned spending/payout of \$1.75 million for FY17 budget
- Received an excellent perspective on the impact of the Presidential election on international investment opportunities from professor A.C. Arend of Georgetown University.
- No recommended changes to the portfolio
- Met with and had an extensive dialogue with Clearbridge managers about impact investing. The Trustees also provided additional perspectives on how Clearbridge can influence companies on ESG issues



*Based on year-end preliminary first close information.

ClearBridge Investments

ClearBridge ESG* is one of the investment industry's longest practicing and leading legacy providers of socially responsible investing. Their experience has found that companies with positive environmental, social and governance attributes are more likely to outperform their peers over the long term. As a result of their approach to investing their returns are very comparable to non SRI portfolios.

- Approximately \$105.4 billion under management
- A legacy of specialized ESG expertise starting in 1987
- Employs a dedicated proprietary ESG integration program ratings system
- Combines active management with active advocacy (ownership) via proxy voting and engagement
- ClearBridge is a PRI** signatory

*Environmental, Social and Governance.

**Principles for Responsible Investment – an investor initiative in partnership with the UNEP Finance Initiative and the UN Global Compact.